

ATTACHMENT 2

Draft

**DECLARATION OF TRUST FOR THE
STATE BAR OF CALIFORNIA
POST-RETIREMENT WELFARE BENEFITS PLAN
FOR EXECUTIVE STAFF EMPLOYEES**

Effective _____, 2007

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**DECLARATION OF TRUST FOR THE
STATE BAR OF CALIFORNIA
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FOR EXECUTIVE STAFF EMPLOYEES**

This TRUST is hereby established by the STATE BAR OF CALIFORNIA (the “Employer”).

RECITALS:

WHEREAS, the Employer is an agency or instrumentality of the State of California exempt from federal income tax under the Internal Revenue Code;

WHEREAS, the Employer provides a program that provides post-retirement health care benefits, including medical, hospital and vision coverage, for the benefit of its eligible executive staff employees (the “Plan”);

WHEREAS, providing such benefits is an essential function and integral part of the exempt activities of the Employer;

WHEREAS, the Employer wishes to fund such benefits by contributing and accumulating funds on a tax-exempt basis under a segregated trust for the exclusive benefit of Plan participants and beneficiaries; and

WHEREAS, the Employer wishes to establish this Trust, and wishes to serve as trustee (the “Trustee”) of such Trust on the terms and conditions set out below.

NOW, THEREFORE, effective as of _____, 2007 the Employer hereby establishes this Trust in accordance with the following provisions:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Terms used in this Trust have the meanings set forth below unless the context clearly requires otherwise:

“Administrator” means the Employer’s Chief Financial Officer or, if none, acting Chief Financial Officer or equivalent position.

“Beneficiary” means any spouse, domestic partner or dependent of the Participant who, due to his or her relationship to the Participant, is entitled to receive benefits under the Plan.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Employer” means the State Bar of California.

“Participant” means a current or former employee of the Employer who is entitled to benefits under the terms of the Plan.

“Plan” means the program maintained by the Employer to provide post-retirement health care benefits, including medical, hospital and vision coverage, for the benefit of the Employer’s eligible executive staff employees.

“Plan Year” means the calendar year.

“Trust” means the legal entity resulting from this instrument, as amended from time to time.

“Trust Fund” means all assets held by the Trustee pursuant to this Trust.

“Trustee” means the Employer. All references to Trustee shall mean the Employer acting in its capacity as Trustee. The Trustee shall hold the Plan’s assets under the Trust for the sole purpose of providing benefits under the Plan.

1.2 Plurals and Gender. Where appearing in this Trust, the masculine gender includes the feminine and neuter genders, and the singular includes the plural, and vice versa, unless the context clearly indicates a different meaning.

1.3 Headings and Subheadings. The headings and subheadings in this Trust are inserted for the convenience of reference only and are to be ignored in any construction of the provisions thereof.

ARTICLE II

ADMINISTRATION

2.1 Employer. The Employer shall supply such full and timely information for all matters relating to the Trust as the Administrator and the Trustee may reasonably require for the effective discharge of their respective duties.

2.2 Trustee. The Trustee shall hold the assets of the Plan under this Trust in accordance with the Trust’s terms. Such assets will comprise the Trust Fund. However, the Administrator will have exclusive authority and discretion to manage and control the Trust Fund and direct the Trustee with respect to the investment of the Trust Fund. The Administrator may in its discretion employ at any time and from time to time one or more qualified investment managers to direct the Trustee with respect to all or a designated portion of the Trust Fund.

2.3 Administrator.

(a) The Administrator has plenary authority to administer the Plan and Trust.

(b) All disbursements by the Trustee, except for the ordinary expenses of administration of the Plan and Trust, as provided herein, may be made only upon, and in accordance with, the written directions of the Administrator.

(c) The Administrator may employ such counsel, accountants, and other agents as it deems prudent.

(d) The Administrator's duties under this Trust will be treated as official duties and he or she will be entitled to relief from liability, and defense and indemnification, to the same extent as provided for any government officer or employee in the conduct of his or her official duties.

(e) The Administrator may direct in writing the payment or reimbursement of reasonable expenses of administering the Plan and the Trust, including payment of reasonable compensation of counsel, accountants, and other agents and any other expenses incurred by the Administrator in the administration of the Plan and the Trust.

2.4 Records. All acts and determinations of the Administrator will be duly recorded and all such records together with such other documents as may be necessary in exercising its duties under the Plan will be preserved for no less than six years. Such records and documents will at all times be open for inspection and for the purpose of making copies by any person designated by the Employer.

2.5 Fiduciary Standards. The Administrator and Trustee (and any person or entity to whom the Administrator or Trustee delegates any duties) shall discharge its respective duties under this Trust solely in the interest of the Participants and Beneficiaries and in accordance with governing State and federal law and the terms of the Plan and the Trust. Such duties must be discharged for the exclusive purpose of providing benefits to the Participants and Beneficiaries and paying expenses of the Plan. In addition, the Administrator and Trustee shall discharge its respective duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

ARTICLE III

ESTABLISHMENT OF THE TRUST FUND

3.1 Establishment of the Trust Fund. Upon execution of this Trust, the Employer shall contribute no less than \$100.00 to the Trust, and the Trustee shall establish and maintain a Trust Fund to hold that contribution and all future contributions made under the Plan, together with any income, gains or profits and taking account of any losses. All custodial accounts and annuity contracts and other investments held under the Plan will be titled in the name of the Trust and deemed part of the Trust Fund.

3.2 Exclusive Benefit of Participants. The Trust Fund will be maintained for the exclusive benefit of Participants and their Beneficiaries and in accordance with the terms of the Plan and governing law. Except as provided in Sections 3.4 and 5.3, no part of the Trust Fund will be used for, or diverted to, purposes other than for the exclusive benefit of Participants and Beneficiaries and for payment of (i) administrative expenses of the Trust and the Plan and (ii) taxes due and payable with respect to any portion of the Trust Fund.

3.3 No Reversion to the Employer. Except as provided in Sections 3.4 and 5.3, it will be impossible, at any time, for any part of the Trust Fund, except as required to pay taxes and administrative expenses, to be returned to, or revert to, the Employer, to be recoverable by the Employer, or to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and their Beneficiaries.

3.4 Reversion if Unfavorable IRS Determination. All contributions to the Trust are expressly conditioned on the receipt of a private letter ruling from the Internal Revenue Service that contributions to the Trust and earnings thereon are exempt from federal taxes. If the Internal Revenue Service determines that the Trust is not tax exempt, then all amounts in the Trust Fund will be returned to the Employer within one year following such determination by the Internal Revenue Service.

3.5 Contributions. All contributions to the Trust will be made solely by the Employer, and once made, will be irrevocable. No Participant or other person or entity may make contributions to the Trust through salary reductions or otherwise. The Employer, in its capacity as Trustee, shall receive all contributions made under the Plan; provided, however, that the Administrator may elect to have all contributions paid directly to a bank or other custodian (such as an insurance company) engaged by the Employer to receive contributions.

3.6 Distributions. The Trust Fund will be used solely for the purposes of payment of benefits under the Plan to, or for the benefit of, Participants and Beneficiaries, and for the payment of any taxes imposed on the Trust and reasonable expenses of administering the Plan and the Trust. The Trustee will make distributions from the Trust Fund only to such persons, in such manner, at such times, and in such amounts as the Administrator shall direct in writing from time to time. All payments of benefits under the Plan will be made solely and exclusively from the Trust Fund, and no person will be entitled to look to any other source for such payments

3.7 Pooled Fund. All assets under the Trust Fund will be held in a pooled fund, and may be segregated only for investment purposes. No individual account for any Participant or Beneficiary will be maintained at any time under the Trust, and no Participant or Beneficiary will have any right or title with respect to any specific assets of the Trust Fund.

ARTICLE IV

DUTIES AND POWERS OF THE TRUSTEE

4.1 General Powers of the Trustee. The Trustee will have all of the powers necessary or desirable to properly perform its duties under this Trust.

4.2 Investment Powers of the Trustee. The Trustee will be directed with respect to all investments. Such direction will be either by the Administrator or its appointed investment manager(s). At the direction of the Administrator or its appointed investment manager(s), the Trustee may sell, write options on, convey or transfer, invest and reinvest any part thereof in each and every kind of property, whether real, personal or mixed, tangible or intangible, whether income or non-income producing and wherever situated, including but not limited to, time deposits, shares of common and preferred stock, mortgages, bonds, leases, notes, debentures,

equipment or collateral trust certificates, rights, warrants, convertible or exchangeable securities and other corporate, individual or government securities or obligations, annuity, retirement or other insurance contracts, or mutual funds.

4.3 Agents. Subject to applicable State law, the Trustee may employ such counsel, accountants, brokers, actuaries and other agents and provide for such clerical, accounting, actuarial and other services as the Trustee deems advisable to perform its duties under this Trust, or as may be directed by the Administrator.

4.4 Settlement of Claims. The Trustee will have the power and authority to settle, compromise or submit to arbitration, any claims, debts or damages due or owing to or from the Trust; to commence or defend suits or legal or administrative proceedings whenever, in its judgment, any interest of the Trust so requires, and to represent the Trust in all suits or legal or administrative proceedings in any court of law or equity or before any other body or tribunal. The Trustee shall inform the Administrator as soon as possible about any such claims, debts or damages, and shall fully cooperate with the Administrator with respect to any suits or legal or administrative proceedings that result from or arise out of such claims, debts or damages.

4.5 Accounting.

(a) The Trustee shall keep appropriate and accurate accounts of, and records reflecting all transactions concerning the Trust Fund, including but not limited to contributions, gains, losses, expenses, and distributions of benefits. However, if the Administrator elects to have all contributions paid directly to a bank or other custodian (such as an insurance company), then the Trustee will be entitled to rely on the records of accounts provided to it by such custodians with respect to contributions, gains, losses, expenses, distributions of benefits and all other transactions involving the Trust Fund. The Trustee will be entitled to be reimbursed for its actual and reasonable expenses incurred in preparing any accounting.

(b) The Trustee shall furnish the Administrator with a written account of the transactions concerning and status of the Trust Fund at such times and from time to time as agreed to with the Administrator, but no less than annually, as soon as practical after the close of the Plan Year. The Trustee and Administrator shall agree on the format and contents of such accounting. At any time, the Administrator may (but is not required to) engage an independent certified public accountant to examine the Plan's financial statements or internal control procedures. If the Administrator engages an independent accountant, the Administrator shall require that such engagement provide that the examination be made according to generally accepted auditing standards (or according to other agreed-upon procedures that the Trustee approves in writing), and that the Trustee is entitled to rely upon the accountant's examination and opinion and all reports relating to the examination.

(c) Except as otherwise ordered by a court having jurisdiction, no person other than the Administrator may require an accounting by the Trustee.

(d) Notwithstanding anything in this Trust to the contrary, the Trustee will have the right at any time to petition any appropriate court for a settlement of the Trust Fund or for the court's instructions in executing the Trustee's obligations under this Trust.

4.6 Compensation. No compensation will be paid to the Trustee for services provided under this Trust. However, the Trustee may be reimbursed from the Trust Fund for reasonable actual expenses related to performance of its duties under this Trust.

4.7 Limitation on Liability.

(a) The Trustee will not be responsible for any act or omission, unless such act or omission is a breach of the fiduciary standards set forth in Section 2.5.

(b) The Trustee will not be responsible for any act or omission of any accountant, counsel, or agent that is appointed selected and monitored in accordance with its fiduciary duty pursuant to Sections 4.3 and 2.5.

(c) The Trustee will not be responsible for any selection, decision, or instruction made by the Administrator.

(d) The Trustee's duties under this Trust will be treated as official duties, and the Trustee will be entitled to relief from liability, and defense and indemnification, to the same extent as provided for any governmental entity, officer or employee, as applicable, in the conduct of official duties.

ARTICLE V

AMENDMENT AND TERMINATION

5.1 Term of the Trust. This Trust will continue until the earlier of (i) the date the Plan ceases to be in full force and effect, or (ii) the termination of the Trust. If the Plan ceases to be in full force and effect, this Trust will then terminate unless extended by the Employer.

5.2 Amendment of the Trust.

(a) Any and all amendments to this Trust that may be required or suggested by the Internal Revenue Service for the purpose of the approval of the Trust as tax exempt under the Code may be made retroactively to the extent permitted by law.

(b) The Employer may amend this Trust at any time for any reason, provided that no amendment may reduce the existing benefits of any Participant or Beneficiary under the Plan.

(c) Only the Employer may amend this Trust.

5.3 Termination of the Trust. The Employer reserves the right to terminate the Trust at any time for any reason. Upon termination of the Trust, any assets remaining in the Trust Fund will be used to satisfy the liabilities under the Plan, determined as of the date of such termination, and to pay taxes due and expenses of administration of the Plan and Trust. Any assets remaining in the Trust Fund after such liabilities are satisfied will revert to the Employer.

5.4 No “Vested Rights”. The Employer may, at any time, without limitation, terminate or reduce any contributions that may be made to the Trust. The Employer also may, at any time and without limitation, amend or terminate the Trust in any manner whatsoever, subject to sections 5.2 and 5.3. No Participant, Beneficiary, or other person will have any right to limit the exercise of the powers set forth in the preceding sentences. In addition, no person will have any “vested rights” under California or federal law to have any contributions made to the Trust. No person will have any “vested rights” under California or federal law to have the Trust continued at all or continued in whatever form it takes at any point in time.

ARTICLE VI

MISCELLANEOUS

6.1 Reliance. The Employer and the Trustee will be protected in acting upon any notice, resolution, request, consent order, certificate, report, opinion, statement or other document which they reasonably believed to be genuine and to have been signed by the proper party or parties or by a person or persons authorized to act on its behalf.

6.2 Person Dealing with the Trustee. No person dealing with the Trustee will be under any obligation to inquire into the validity, expediency or propriety of any action by the Trustee or of any exercise by it of any of the powers conferred upon it by this Trust. The execution by the Trustee of any instrument, document or paper in connection with the exercise of any of the powers enumerated herein will, of itself, be conclusive evidence to all persons of the authority of the Trustee to execute the same and to exercise the powers incident thereto.

6.3 No Right to Information. Except as specifically directed by the Employer, no person other than the Employer and the Administrator shall have any right to receive information, from the Trustee or any other person, as to the assets, liabilities, income, or expenses of the Trust Fund. If section 16062 of the California Probate Code is held to apply to the Trust Fund, its provisions are waived to the fullest extent permitted under section 16064 of such Probate Code.

6.4 Anti-Alienation. No right or claim to, or interest in, any part of the Trust Fund, will be subject to anticipation, alienation, sale, transfer, assignment, mortgage, pledge, encumbrance, hypothecation, commutation, garnishment, charge, or any other process of any court except as specifically permitted under the Plan or this Trust or as required by law. No benefit payable under the Plan to any person will be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor will it be subject to attachment or legal process for or against such person, except to such extent required by law. Any attempt to anticipate, alienate, sell, transfer, assign, mortgage, pledge, garnish, encumber, charge, or levy against any benefit under the Plan will be void, except as required by law. No portion of the benefits payable under the Plan will be subject to the bankruptcy estate of any Participant or Beneficiary in the Plan, except as required by law.

6.5 Notices. All orders, requests, directions and instructions of the Administrator to the Trustee will be in writing, signed by a person authorized to act on its behalf. Unless the Trustee knows or has reason to know (through its exercise of its fiduciary duties or otherwise)

that the direction constitutes a breach of the Administrator's duties or responsibilities under the Plan, the Trustee shall act and will be fully protected in acting in accordance with such orders, requests, directions and instructions. In the absence of knowledge of, or reason to know, that the direction constitutes such a breach, the Trustee will be entitled to rely conclusively on such direction, and will have no further duty to make any investigation or inquiry before acting upon any such direction of the Administrator.

6.6 Law. This Trust will be construed in accordance with the laws of the State of California and applicable federal law.

6.7 Invalidity. In the event any provision of this Trust is held illegal or invalid for any reason, said illegality or invalidity will not affect the remaining provisions hereof, and this Trust will thereafter be construed and enforced as if said illegal or invalid provisions had never been included therein.

ARTICLE VII

EXECUTION

IN WITNESS WHEREOF, the Employer has caused this Trust to be executed by its duly authorized officer on this _____ day of _____, 2007.

STATE BAR OF CALIFORNIA

(signature)

(name)

(title)

Reviewed and approved by:

ADMINISTRATOR

(signature)

(name)

Chief Financial Officer, State Bar of California

(date)